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RAILROAD RELIEF AND BENEFICIARY ASSOCIATIONS.

BY W. H. BALDWIN, JR., PRESIDENT OF THE LONG ISLAND RAILROAD COMPANY.

It is my purpose to trace briefly the development of the beneficiary, insurance and relief features of railroad organization, and to suggest their present bearing upon the important relation between railroad corporations and their employees. A complete analysis and comparison of the various forms of relief associations would far surpass the limits of my time, and furthermore such a paper has been published by the Commissioner of Labor at Washington. It is well, however, to indicate the more important features of the relief work in order to place it properly in the complex relations between railroad corporations and employees. It may be described as the final step in the process of the evolution from simple railroad organization to the present highly developed organization of many railroad systems.

The railroad corporation performs a public service. "Railway transportation is essentially a Government function." Its employees approach the classification of public servants. The public is the jury which passes on the questions affecting railroad service and management. The relation between the employees of a railroad and the management is always of vital interest to the public. The higher the development of the organization of a railroad, and the more nearly its service approaches to its public functions, the better the class of its employees, and the more assured their permanency of employment, the more apparent becomes the lack of real cause for friction between the corporation and its

employees, and the more efficient is the protection of the railroad by the public in respect to those questions which it is the province of the public to decide.

The credit for working out the relief and insurance features in railroad organization is not due to the railroad corporations alone. The problem was first solved by the employees themselves. They now must welcome the growing tendency of large railroad corporations to provide a system of relief and insurance, for even though it may in some respects take the place of, or interfere with their own insurance department, and possibly with their brotherhoods, the existence of a relief department on any railroad shows a more highly developed organization, in virtue of its recognition of the wisdom of providing a protection, which it has always been the aim of the employees to secure through their own efforts.

The development of the associations for relief and benefits for railroad men is contemporaneous with the extraordinary growth and extension of the railroad system since the Civil War. The earlier history of the railroad indicates a simple form of organization. Short mileage, small cars, slow speed, light traffic, with comparatively few employees, who were all known personally to the officers in charge of operation, made a simple problem of the relations between the railroad corporation and its servants. The local nature of the lines with officers and employees selected from the local territory, tended to bring about a personal relationship between officers and men, and there was little need of a more complex organization. But with the rapid growth and combination of railroads in the early sixties, with their larger and more complicated operations, with the need for stability of organization and permanency of

employment, with ever increasing danger of service, there grow up a demand for relief in cases of accident and sickness and for an insurance benefit in case of death. This need was not recognized formally by the railroads ; it was met, however, by the employes themselves, who organized benefit associations for their welfare and relief. The importance of these associations of employes to their own welfare as well as to the railroads has been marked. The improvement of the status of railroad employes largely by reason of their own associations raised the standard of men engaged in the service. The employes and the public received its benefits and the railroads unconsciously, and involuntarily, perhaps, profited by the better standard developed.

As an indication of the need of special organization for the relief of railroad employes the official figures given by the Interstate Commerce Commission in their annual report for 1898 show 1,693 employes killed, 27,667 employes injured, or a total of 29,360 killed or injured out of 823,476, the total number of employes in the railroad service in the United States. That is to say, three and five-tenths per cent. of the employes were either killed or injured in that year, and these figures include only those injured sufficiently to warrant an official report.

There are two forms of association for insurance and relief which have originated with the employes ; the one an association for employes (sometimes classed as a whole) of any separate railroad system and entirely supported by its membership, the other the more important national organization which includes in its membership all railroad men in any special line of service who may join and contribute to the general support of the association.

Under the latter class have been formed several national organizations or brotherhoods, each organized for the general welfare of the men employed in some particular class of work, and applying to all the railroads in the United States. The principal and older national organizations which have beneficiary or insurance features are :

(1) The Brotherhood of Locomotive Engineers, organized August 17, 1864.

(2) The Order of Railroad Conductors, organized July 6, 1868.

(3) The Brotherhood of Locomotive Firemen, organized December 1, 1873.

(4) The Brotherhood of Railway Trainmen, organized September 23, 1883.

The insurance and relief departments of all these organizations are similar. As a rule the general officers conduct the insurance department as a part of their regular duties. The engineers, however, perform their insurance functions through a separate department. As a rule the insurance departments of the brotherhoods have been wisely managed, have maintained a good financial standing, and have been able to pay the insurance benefits for which they were liable. The amount of benefit or insurance and the conditions under which insurance may be taken varies with the different organizations in accordance with the greater or less risk in the class of service in which the men are employed. The benefit department of the Order of Railroad Conductors, for example, permits its members to insure for amounts from \$1,000 to \$5,000 according to the age of the applicant, and is limited also by satisfactory physical test. The assessment may be \$16 per year per \$1,000 insurance ; it averages about \$14 per

year. Temporary relief for sickness, accidents or disability is left almost entirely to the local divisions, but as a matter of fact relief is generally given. Provision for temporary relief is made by local assessment upon the division. Thus a careful examination of each particular case can be made, and with full knowledge of all the conditions the most efficient care can be given at the least expense. This provision for temporary relief is further aided and supplemented by Ladies' Auxiliaries, so called, which aim to further the work of the local division and to see that no case of distress, if worthy, shall lack the proper care and assistance. There are no statistics to show the amount of money expended in this relief work.

The growth of these fraternal organizations is the evidence of their success. The mutual co-operation for help and assistance in case of accident, sickness and death, has supplied a necessary link in the complete organization of the railroad service. It may be noted that this need for relief and insurance was recognized by the men themselves nearly twenty years before the matter received formal attention on the part of the railroad companies. The gradual evolution of the hospital, relief, and insurance associations as a recognized department of the railroad organization is indeed interesting, and exemplifies many important and instructive phases of the relations between the employes and the railroad companies. The first formal recognition by the railroads of the need of providing means of relief for accident, death and sickness for employes in all departments was made by the Baltimore & Ohio Railroad Company in the formation of the Baltimore & Ohio Employes Relief Association in May, 1880. A similar organization was formed by the Pennsylvania Railroad Com-

pany on February 15, 1886; by the Chicago Burlington & Quincy Railroad on March 15, 1889, and by various other companies at divers times, so that to-day about fifteen per cent. of the mileage and twenty per cent. of the employes of the railroads in the United States are provided for, through relief associations as departments of railroad organization. There are many railroads which have thoroughly organized hospital and medical departments only, to provide for relief by medical attendance in case of accident or sickness, but without insurance or beneficiary departments. Such hospital departments have been especially important and effective in the western country, as a large percentage of the railroad employes in earlier days were men who went to the West from the East, and were without homes or means of proper care during illness. These hospital departments on some railroad systems have been very highly organized and have proved most successful. In some instances a medical department is organized by and at the expense of the railroad company exclusively, and in other cases the expense of the department is borne by assessments upon, or contributions from the wages of the employes, according as compulsory or voluntary systems are in force. These relief measures are found in every stage of development, varying with the ability of the corporations to support them and with the different points of view of the officers of the corporations. But there is a tendency on the part of railroads generally to provide relief of some sort for their employes.

The motives are both philanthropic and financial. The danger and risk in railroad service demands organized supervision. The highly developed railroad system of to-day requires for wise and economical ad-

ministration, a personnel with a loyal interest in the service, and a cordial relation between the corporation and its employes. This result is materially furthered by an expectation among the men of permanency of employment and of relief and aid to themselves or their families in case of sickness or death.

Generally speaking, the railroad relief associations are supported partly by the corporation and partly by the men. In some instances membership is compulsory and in others voluntary. The general rule with respect to assessments in all relief and hospital associations, whether compulsory or voluntary, is to assess the employe in proportion to the amount of wages received.

The aim of the more highly developed organizations is to provide means to give relief :

- (1) In case of injury or accident.
- (2) In case of sickness.
- (3) In case of old age, by pension, and,
- (4) To provide insurance benefit and pay funeral expenses in case of death.

The Pennsylvania Railroad Relief Association affords an illustration of the methods adopted by the association which has the largest membership, and is probably also the most highly organized association of this sort at the present time.

The Pennsylvania Voluntary Relief Department, which was organized February, 1886, is managed by a joint advisory committee representing all the lines associated. The general manager of the Pennsylvania Railroad is chairman, and the superintendent is secretary of the advisory committee. The employes who contribute to the relief department and are regular members thereof appoint each year by ballot on January 1st one member to represent them from each of the six

divisions of the railroads associated together for this department. The railroad companies each select a representative in their behalf. Thus a board of six representatives of the employes and six representatives of the railroad companies, together with the general manager and superintendent, form an advisory committee. All of the corporations interested are parties to the joint agreement in behalf of themselves and their employes, agreeing to appropriate their ratable proportion to the joint expense of administration and management and the entire outlay necessary to make up deficits for benefits to their own employes. An outline of the more important provisions of the plan is as follows :

First, and most important : It is a regular department of the company's service in the executive charge of the superintendent of the operating department.

Second : The fund is created by voluntary contributions from all classes of employes, and appropriations are made, whenever there is any deficit, by the companies. Any income from investments of the fund, or any profits or gifts, legacies, etc., are added to the fund.

Third : The company guarantees the fulfillment of the obligations of the association, takes charge of its funds, and conducts the business entirely at its own expense.

Fourth : If there is any surplus in any period of three successive years, it is set aside to be used for a fund for superannuated members. But such surplus is not set aside until due allowance is made for liabilities incurred during such three years. The allowance is kept as a relief liability fund. The surplus for superannuation is called the "Relief Fund Surplus," the income from which, after January 1, 1900, will be used as

superannuation fund to pay superannuation allowances.

Fifth: The employes are divided into five classes and contribute in proportion to their ability to pay as follows:

(1) Employes receiving any rate of pay contribute seventy-five cents per month;

(2) Employes receiving \$35 or more contribute \$1.50 per month;

(3) Employes receiving \$55 or more contribute \$2.25 per month;

(4) Employes receiving \$75 or more contribute \$3.00

(5) Employes receiving \$95 or more contribute \$3.75 per month.

(6) An employe not over forty-five years of age, after having passed a satisfactory physical examination, may join his own or any lower class. Any employe not over forty-five years of age, if he has been in the service five years continuously and a member of the department for one year, may enter a higher class than his pay would permit upon passing a satisfactory physical examination.

(7) Any member may contribute for additional death benefits, as follows: Those of the first class may subscribe for one additional benefit of the first class (\$250), and members of each of the other classes may contribute for as many additional death benefits as the number of their class indicates. The fifth class, for example, might contribute to five or less death benefits, in addition to the five regular benefits of \$250 each allowed in that class.

(8) Any member may withdraw at the end of any month.

(9) Membership may be retained during absence from duty by reason of furlough, or suspension, for a period not longer than nine months.

(10) Contributions for death benefit additional to the

death benefit of the member's class are determined by the age of the member at the time of taking the additional death benefit. Employees not over forty-five years of age pay thirty cents per month for one additional benefit of the first class. Those from forty-five to sixty years old pay forty-five cents per month. Those over sixty pay sixty cents per month. The benefits paid for accident in the company's service are as follows: Members of the first class, each day for fifty-two weeks, fifty cents per day; after one year, each day, until well, twenty-five cents per day; the other classes in exact proportion, that is to say, the fifth class, \$2.50 for each day for the first fifty-two weeks, and \$1.25 per day thereafter.

For sickness or injury other than accident in the company's service, members of first class receive forty cents per day for fifty-two weeks, and twenty cents per day thereafter, other classes in proportion to their contribution.

For death from any cause, members of the first class receive \$250, and other classes in proportion to their contribution.

Surgical attendance is given free for any disability arising from accident in the discharge of duty.

The report of the Relief Department for the last fiscal year up to December 31, 1898, is an index of the success and importance of this work.

(1) The average monthly membership was 44,678. The report shows a constant increase each year since the beginning, the total membership December 31, 1898, being 45,141;

(2) The death rate was $11\frac{1}{10}$ per 1,000 members;

(3) The average number of members disabled, $32\frac{8}{10}$ per 1,000;

(4) Seven thousand seven hundred and fifty-nine new members joined, or 7,232 in excess of deaths (497) and withdrawals (30); 5,766 left the service, showing a net gain in membership of 1,466.

The Relief Fund account showed a balance of \$257,000, this being the first year of the fifth three-year period above referred to. The Relief Fund liability account to cover liabilities incurred for periods prior to 1898 amounted to \$261,000. The Relief Fund surplus account to be used for the Superannuation Fund was \$636,000, which sum is invested in 4 per cent. bonds.

The thirteen years' operation shows a sum paid from the Relief Fund to the employes of \$6,115,000, paid by the railroad companies for operating expenses and as special contributions, \$1,502,000, or a total expense for relief and operation of \$7,617,000 toward which the companies had contributed about twenty per cent. Of this amount sixty per cent. was used for the relief of disabilities through accident in the service or through sickness.

It is almost needless to state the advantages of such an administration upon any railroad system. That it is beneficial to the men is proven by its voluntary membership. That it is good business is shown by the further contributions which the Pennsylvania Railroad has authorized for the superannuation and pension department to be established January 1, 1900.

By agreement of the constituent companies, on December 18, 1899, the Pennsylvania Railroad has organized a pension department to take effect January 1st. It is organized

First—To relieve from duty all officers and employes seventy years of age or over and to provide for their care ;

Second—To relieve from duty employes from sixty-

five to seventy years of age who have been in the service of the several companies for thirty years or longer and are now physically disqualified.

A board of officers is appointed by the railroad company to direct the affairs of the pension department.

Employees who are superannuated will receive a monthly allowance equal to one per centum of the average regular monthly pay for the ten years preceding retirement for each year of service. For example, if an employee averaged \$75 per month for ten years and had been in the service forty years, he would receive an allowance of \$30 per month, 40% of the average wage as stated.

It is provided, however, that whenever pensions paid on the above basis use more than \$300,000 per annum, the amount of the pensions will be ratably reduced.

Having referred to the associations of the employees and to the railroad relief departments, it is interesting to compare the advantages in cost and results of the two methods. Such a comparison is not made with any view of showing the advantage or disadvantage of either, as both kinds of insurance are beneficial; but it is important to show to what extent the railroads have voluntarily accepted the function which the men through their own organizations have found necessary for their aid. The important points of comparison are:

First: That the cost of insurance is approximately the same. As stated above, we have no statistics to compare the cost of relief.

Second: The railroads include relief features in their guaranty plan, whereas the associations of employees generally leave all questions of relief to their local divisions.

Third: The expense of management of the department is paid by the railroad companies, and in the case of the employees' associations by assessments.

Fourth : 'The financial status of any voluntary relief association must be dependent on voluntary membership, whereas the railroad company practically guarantees its risks, and in many cases pays considerable sums from its own treasury to maintain the stability of the department. This feature is of great importance to the employes.

Fifth : 'The employes' associations have, in a limited way, made provision for aged and infirm members, but it has remained for the railroad companies to establish the only thoroughly organized pension departments.

So far, I have referred only to the need of relief work for railway employes, and have outlined some of the methods of administration and the results of such work. There is, however, another vital question in railroad management which is affected by such Brotherhoods as are organized for "protective" purposes as well as for relief and benefit. This is the question of the general status of rates of wages and of the rules governing the employment of the army of railroad men in the United States. It will be my purpose only to point out for purposes of discussion here, how railroad management is affected in these particulars by such associations of employes.

If railroad transportation is a "Government Function" and "The Government must see that it is properly discharged," (Interstate Commerce Report, 1898); if, in short, the Government is to control the rates, this authority carries with it the responsibility of protecting the private capital invested in the railroad systems in such manner as will permit the railroads to give a proper service, to pay reasonable wages, to provide proper methods of relief for their employes and earn fair return upon their invested capital. There must be a limit to

the demand of public sentiment for high wages and low rates. In other words, protection must be afforded to the earning power if the public is to assume to pass upon the rate and wage question.

Some Brotherhood organizations have been organized from time to time for strictly relief and insurance purposes, but, generally speaking, the national associations are formed for the "general welfare" of the members and for the purpose of "protection" both in wages and in the rules governing employment. There are obviously three ways for railroads to meet the question of wages and conditions of employment.

First: To avoid any question by paying a "standard" wage under "standard" rules, and by administering the property in such manner as to render unnecessary any appeal from organized labor, or, if such appeal be made, to refuse to consider it.

Second: If unable from financial or other reasons to grant requests for increased wages, to confer with the representatives of the employees, whether selected by a labor organization or not, and to explain fairly to the class of labor involved the reasons for declining the request, thus recognizing organized labor.

Third: To decline to meet the official representatives of the class of labor desiring to be heard and to treat the subject as a private matter without regard to the standard of wages paid.

The last method is seldom adopted except by small roads.

In dealing with the railroad labor question, the large railway system should be the subject for discussion.

To maintain the first method of meeting the wage question, the great railroad systems of the present day,

in performing their government function, must so administer their property that the wages paid will be the standard railroad wage, the standard wage being the average wage paid by lines similarly situated, with similar traffic conditions. There is no standard wage for any class of railroad labor for the whole country. Any attempt to make a standard wage would prove futile. The difference in opportunity for steady work, the comfort of surroundings, the cost of living, the advantages offered by schools, churches, etc., in short the conditions controlling demand and supply, would make any absolute standard wage unfair to some roads. The railroads which treat labor questions under the first class may be said to recognize the responsibility to the public to furnish the best class of men at fair wages and to treat fairly and even generously with their employes direct. The labor organizations give indirect "protection" only to their members on railroads acting under this method.

Second Class.—A large number of railroads by reason of adverse traffic conditions, financial conditions, etc., are unable to pay even the standard wages in their section of the country. Generally speaking, such roads make a fair statement to the employes or to their representatives, and, with a fair spirit on both sides, a reasonable conclusion may be reached. The important element in this method of meeting the question is publicity. A statement to the employes and the public explaining fully the wages actually earned by the employes who make the request; analyses showing cost of living compared with other sections commanding higher wages; comparison of wages earned by railroad employes with the wages earned in other service (comparable with it) in the same locality;—in short, a

straightforward statement of the case is made with the expectation of meeting an honest response from the employes and from the public. This method puts the case squarely before the public as the jury, and the opinion of the public is oftentimes the controlling factor. This method may prove to be of the utmost importance in the future. The extreme prosperity of this country has permitted the railroads to pay the highest wages known in railroad service. With constantly decreasing rates forced upon the railroads by unbridled competition, the general problem of railroad wages may present itself. The operations of the enormous railroad systems of the future cannot be stopped by reason of wage discussions. In the last analysis the wage question must go to the public as the jury. Entire publicity alone can give the proper foundation for the settlement of any serious question affecting labor in public service;—publicity of the facts regardless of the questions of recognition or non-recognition of labor unions. The same spirit which now demands reasonable direction and control of industrial pursuits will demand reasonable protection of the public as well as of the employes in any wage question in public or quasi-public service. The service of the railroad employe will be recognized more and more as a public service.

Probably at no time in the past have there been such satisfactory relations as exist to-day between the railroads and their employes. At no time has there been such a high class of men in the railroad service, or such intelligent direction and control by the officers of railroad corporations. There is to-day a clearer understanding and recognition of the lines along which these problems must be worked out. The lines are fairly well defined, and if wisely followed, most of the questions

between corporations and employes should be solved without causing open friction. A well organized Relief and Beneficiary department of a railroad system is in itself an evidence of interest in the best welfare of the employes, and when well supported voluntarily by the employes, indicates on their part a cordial recognition of and co-operation with the management.

Such a mutual interest cannot be considered the least benefit from Railroad Relief and Beneficiary Departments.

Mr. ROBERT C. BROOKS first called attention to the fact that railroad relief and beneficiary associations divide employes into classes according to their ability to pay. Owing to the enormous diversity in risks presented by so heterogeneous a mass as railroad employes, this arrangement is inequitable. Employes running little risk of accident are obliged to pay as much for their insurance as others engaged in the most dangerous branches of service. Thus a telegraph operator must pay as much as a freight brakeman, although the first is exposed to extremely slight risks, while the latter fills one of the most dangerous positions in modern industry.

The inequity of this arrangement would, however, prove no objection to the system of railroad relief and beneficiary associations if all employes were left free choice in the matter of joining such associations. Those whose interests could be best subserved by joining the brotherhood relief societies or ordinary insurance companies could then do so. But even in the case of the railroad associations which call themselves voluntary so much pressure is often brought to bear upon the employes by the officials that it amounts practically to compulsion. It not infrequently is the case that men

applying for positions with the company are rejected if they refuse to join the relief association.

Philanthropic motives were without doubt partly influential in leading the companies to establish relief associations. Further, the companies cheerfully make up the deficits in the relief fund when the contributions of the men are not sufficient to pay all sick, accident or death benefits. But the companies reap a large advantage in this apparently altruistic transaction by being relieved from expensive litigation and payment of damages for injuries sustained by their men. Members of relief associations must, by the terms of their agreement, waive all claim upon insurance from the relief fund in case they bring suit for damages against the company. They are thus forced to choose between a certain small payment at a time of great distress or a sum uncertain in amount if they are successful after long litigation. Naturally they accept the former alternative in most cases. It is a fair question if the expense saved the companies in this way does not far outweigh all costs of maintaining the relief system. Statistics on this point have not as yet been given to the public by the companies. It is not to be denied that these facts give railroad relief associations a certain appearance of being shrewd schemes to make the office men in railroad service pay for the injuries sustained by the men in the more dangerous employments.

One decided disadvantage of railroad relief associations from the standpoint of the men is that in case of dismissal from the service they lose all claim upon insurance. Great injustice might occur through this provision. On the other side, it is not to be denied that some railroad employes use every effort to defraud the relief fund. This greatly increases the difficulty and

cost of the system of medical examination which the company must maintain. In the case of insurance afforded by the brotherhoods, every member of the organization is conscious of a community of interest, and acts as an examiner, thus effectually stopping such cases of shamming.

On the whole, Mr. Brooks was of the opinion that railroad relief departments were doing good work. They practically compel large numbers of men most of whom are employed under conditions of great danger, and yet are inclined to exercise little foresight in managing their affairs, to make some provision for the future. The claim that they are largely philanthropic institutions can, however, hardly be maintained until the many defects of the system are remedied.